

Research Insights by



IDC

ANALYZE
THE
FUTURE



2020 Asia Pacific SMB Digital Maturity Study

Executive Summary

The race to digitalize is on. Businesses and society are unmistakably undergoing a technology-driven transformation which has accelerated as a result of COVID-19, driving the market to an inflection point. The speed of change, delivery, and operations is separating the leaders from the followers – and small and medium-sized businesses (SMBs) in the Asia Pacific region are not exempt.

To better understand the challenges and opportunities that SMBs face, Cisco commissioned IDC for a second year to uncover the state of SMBs' digital transformation journeys.

The results are telling. The majority (84%) of SMBs are struggling to execute their digitalization goals, with slightly more than half at stage 2 or are what IDC calls "Digital Observers". Almost one-third (31%) of SMBs are still reactive to market changes and have hardly made efforts to digitally transform.

Singapore, Japan, and New Zealand continue to lead, with no change in their ranking compared to 2019. However, mainland China, Taiwan, and Thailand surpassed Korea, Hong Kong, and Malaysia, respectively; Indonesia and Vietnam made notable progress.

In 2019, SMBs contributed 52%, or US\$15.2 trillion, to the Asia Pacific GDP. Further digital transformation of SMBs could increase Asia

Pacific's GDP growth by an additional US\$2.6 to 3.1 trillion, or up to 7.4% of additional GDP, by 2024. IDC's research shows that SMBs that are successfully transforming (Digital Challengers) generate 50% more sales and worker productivity, while the leading SMBs (Digital Natives) garner two times more benefits. These SMB leaders are more resilient than those in the earlier stages of digital maturity.

Achieving this goal requires SMBs to make significant changes, from setting the right strategy, to making the necessary technology investments. Cloud, a foundational pillar for digitalization, is the number 1 technology priority for SMBs, allowing them to quickly provision resources as the business grows.

While digital technologies are more widely available today and help level the playing field, SMBs, given their size, face constraints on many fronts. In the latest survey, SMBs cited the shortage of digital skills and technologies as their top 2 challenges in their digital transformation. Indeed, SMBs are under increasing pressure to stay competitive. The right partner, with the right technologies and expertise, will help overcome tightening resource constraints.

SMBs' entrepreneurial spirit and growing appetite for innovative technologies will help them ensure business continuity in 2020 and accelerate their growth in the years ahead.



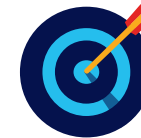
US\$3.1 trillion

could be added to Asia Pacific's GDP growth by 2024 if more SMBs advance their digital transformation journeys.



2X

Leading SMBs (Digital Natives) enjoy two times more benefits (revenue and productivity) than those in the earliest maturity stage (Digital Indifferent).



69%

of SMBs in Asia Pacific are accelerating their digitalization rates to address COVID-19 challenges.



Lack of digital skills and technologies

are the top 2 challenges for SMBs undergoing digital transformation.



Cloud

is the number 1 technology investment priority, followed by security.

About the 2020 Asia Pacific SMB Digital Maturity Study

IDC defines SMB digital transformation (DX) as the digitalization of businesses – a customer-centric business strategy with the goal to transform internal operations using digital technologies, such as cloud, mobility, social, augmented/virtual reality, Internet of Things (IoT), and analytics or artificial intelligence (AI), for better engagement with customers, partners, and employees.

To understand the state of SMBs' digital transformation maturity, IDC developed a framework to help SMBs clearly assess their current capabilities and establish goals that work to synchronize business objectives with IT needs.

More than 1,400 SMBs across industries were surveyed in early 2020, including financial services, manufacturing, telecommunications, media, transportation, construction, retail, and wholesale. A follow-up survey covering over 400 SMBs was also completed in May 2020 to understand how SMBs have been impacted by the COVID-19 crisis.

Objectives

- To determine the **readiness** of SMBs across the Asia Pacific region **when it comes to adopting DX**
- To understand the impact of **DX** among SMBs on driving economic activity
- To understand the **challenges and opportunities** that SMBs face when it comes to DX



Respondents

1,424

in 14 markets:

Australia
China
Hong Kong
India
Indonesia
Japan
Korea
Malaysia
New Zealand
Philippines
Singapore
Taiwan
Thailand
Vietnam



IT Influence

Decision makers of their company's IT purchases



Role

Manager-level and above, such as business owners, CEOs, directors and heads of departments



Company Size

50–499
employees

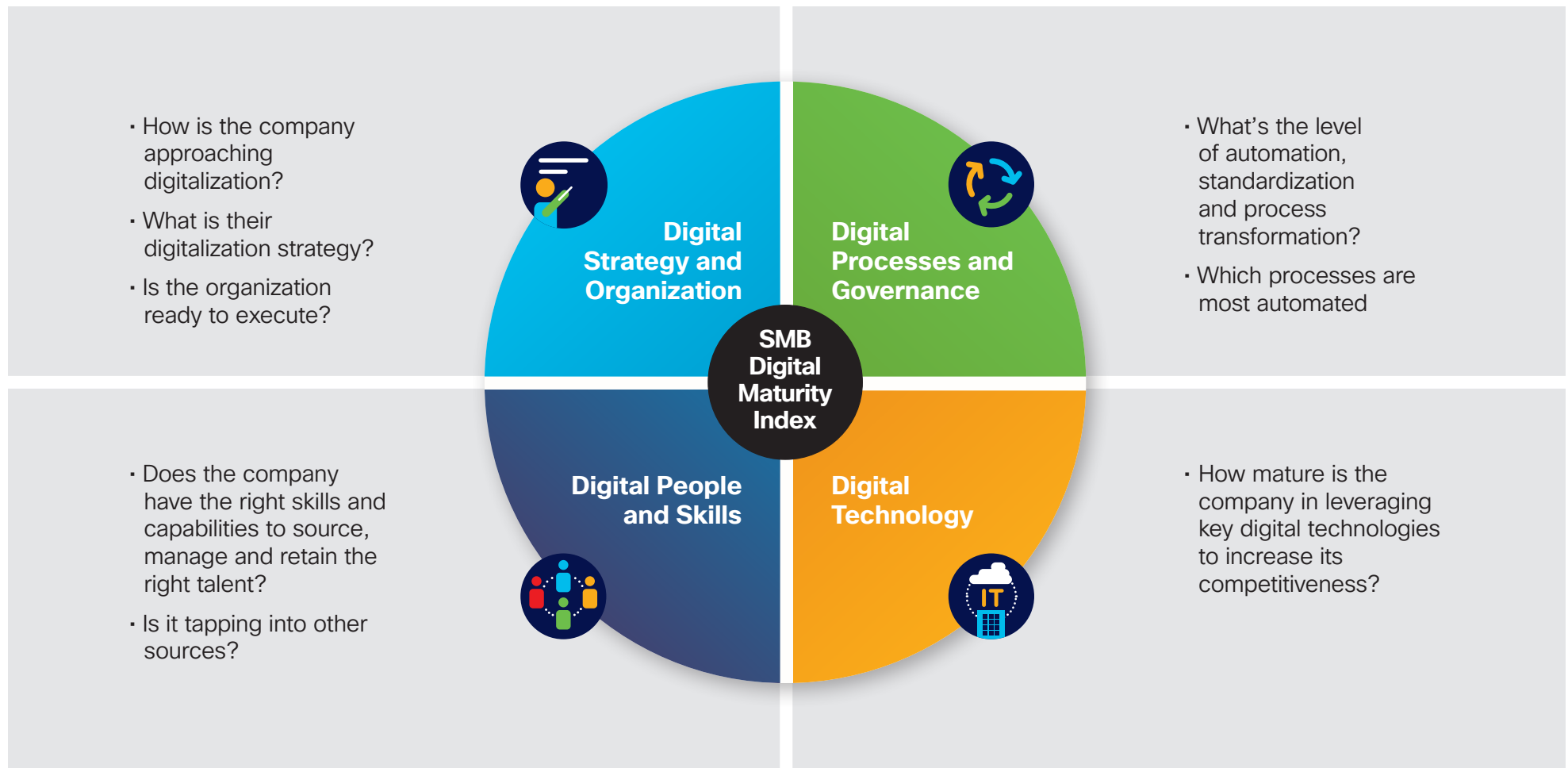


Industries

Construction
Financial Services
Manufacturing
Media
Resources
Retail & Wholesale
Services
Telco
Utilities





Asia Pacific SMB Digital Maturity Index: The Four Dimensions

The SMB Digital Maturity Index is made up of four dimensions: Digital Strategy and Organization, Digital Processes and Governance, Digital Technology, and Digital People and Skills. Each dimension targets an essential aspect of digital mastery and can be assessed independently as a measure of the relative maturity of a specific aspect of business functionality and performance, providing goals for SMBs to target on their digital transformation journey.



Asia Pacific SMB Digital Maturity Index: The Four Stages

The Index classifies SMBs across four stages of digital maturity, starting with the earliest stage of Digital Indifferent to the most advanced group of Digital Natives.

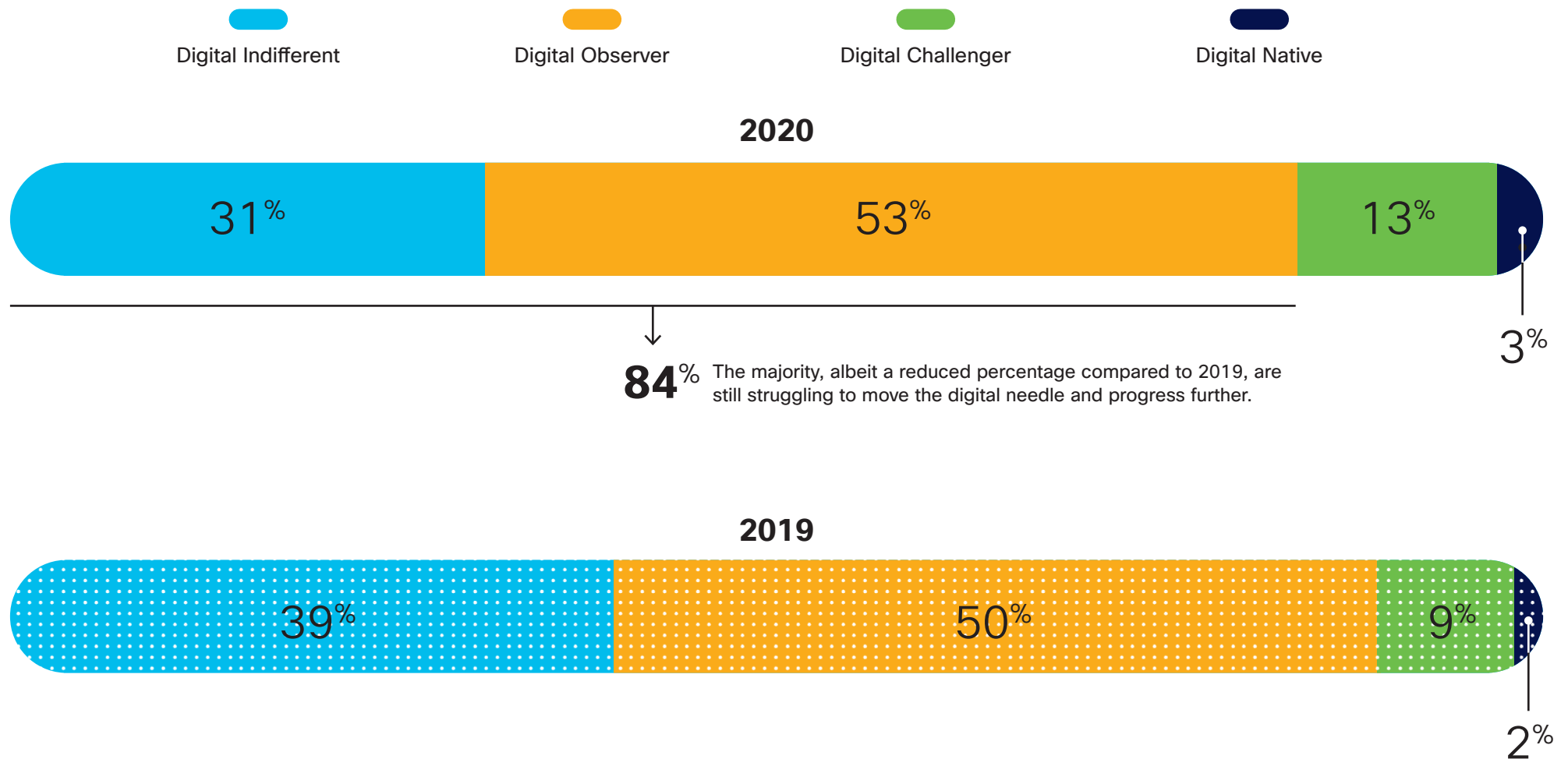
SMB Digital Maturity Index	STAGE 1 DIGITAL INDIFFERENT	STAGE 2 DIGITAL OBSERVER	STAGE 3 DIGITAL CHALLENGER	STAGE 4 DIGITAL NATIVE
 Strategy and Organization	<ul style="list-style-type: none"> Company is reactive and focused on efficiencies. No digital efforts exist or starting. 	<ul style="list-style-type: none"> Digital efforts in progress but tactical. Starting to create a digital plan. 	<ul style="list-style-type: none"> Company focused on becoming agile. A digital strategy exists, but focused on short-term. 	<ul style="list-style-type: none"> Holistic strategy to digitally innovate exists. Proactively seeking to transform the market, expand operations and drive CX.
 Processes and Governance	<ul style="list-style-type: none"> Majority of processes are manual. 	<ul style="list-style-type: none"> Many processes still not automated. Focused on addressing inefficiencies. 	<ul style="list-style-type: none"> All core processes are automated and productivity rates improving. 	<ul style="list-style-type: none"> Full process automation done; agile approach. Significant strides made in process transformation.
 Technology	<ul style="list-style-type: none"> Tactical investments. No cloud and spreadsheet centric. 	<ul style="list-style-type: none"> Some cloud resources being used. Very limited use of analytics. Focused on the use of reporting tools. 	<ul style="list-style-type: none"> There is a tech roadmap for digitalization. Company is using hybrid cloud approaches. 	<ul style="list-style-type: none"> Cloud-first and committed to using digital tech. Broad adoption of analytics.
 People and Skills	<ul style="list-style-type: none"> Lack of digital skills. 	<ul style="list-style-type: none"> Making tactical investments to acquire digital skills. Risk-averse leadership. 	<ul style="list-style-type: none"> Strategic Investments in talent are being made, particularly digital skills. 	<ul style="list-style-type: none"> The right digital skills exist. Talent is a top priority and a competitive differentiator. Agile and adaptable culture.



Regional Highlights from the Study

More Asia Pacific SMBs Are Transforming Digitally

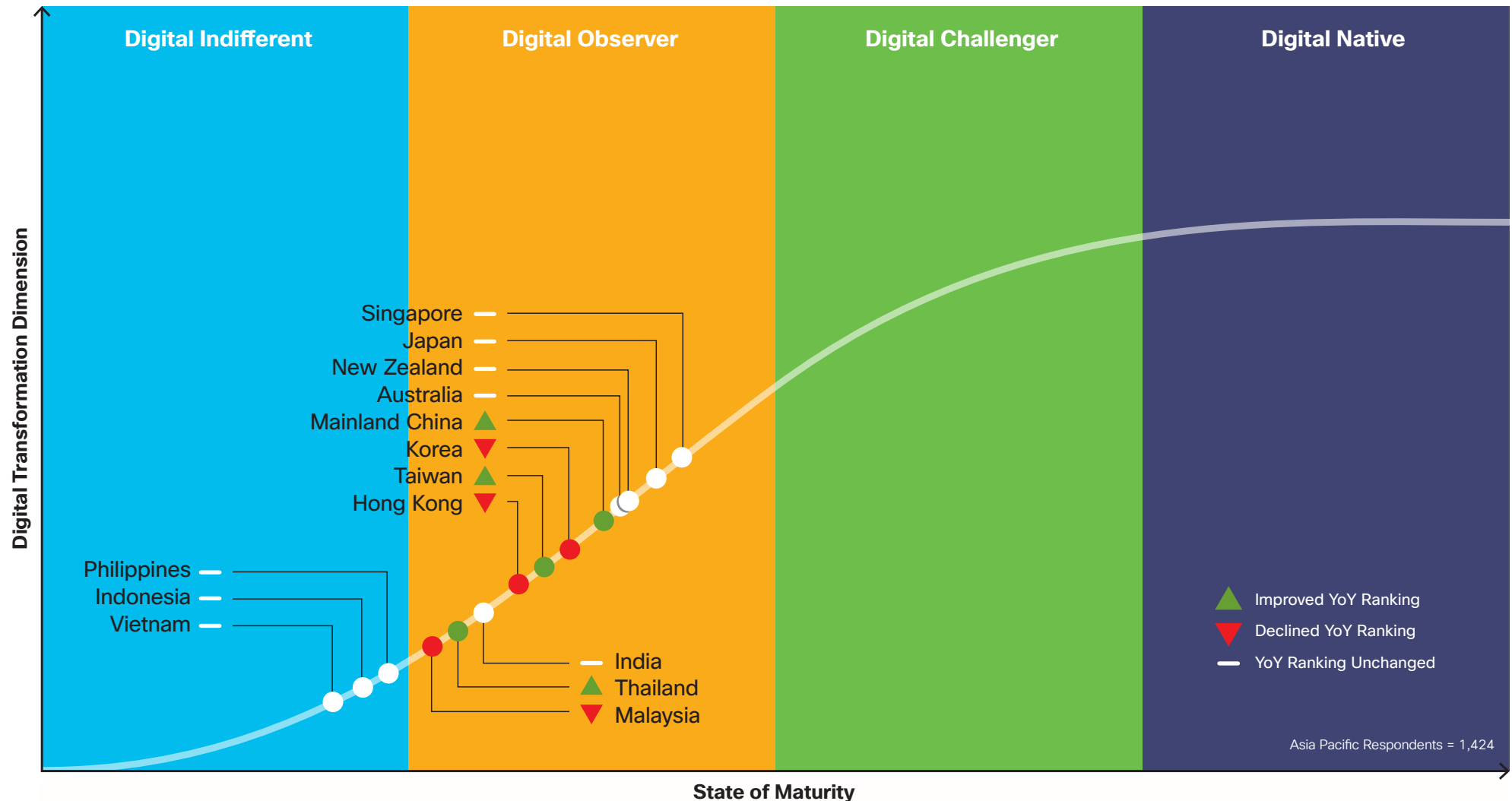
Asia Pacific SMBs have accelerated their digitalization, with 16% of SMBs overcoming critical challenges and reaching the advanced maturity stages of Digital Challenger and Digital Native, compared to 11% in 2019. Slightly more than half of SMBs have embraced digitalization to become Digital Observers, while 31% of SMBs are still reactive to market changes and have made hardly any efforts to transform digitally. As a result of COVID-19, we expect Asia Pacific SMBs to digitalize even more.



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Digital Maturity of SMBs in Asia Pacific

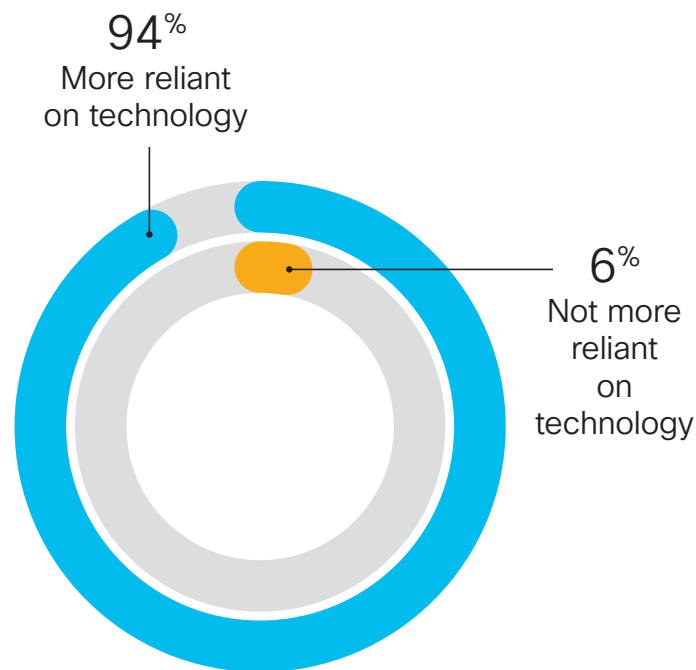
Overall, all Asia Pacific markets are becoming more digitally mature, with notable progress made by Indonesia and Vietnam. Singapore, Japan, and New Zealand continue to lead the Digital Observer group, with no changes in their ranking compared to 2019. However, mainland China, Taiwan, and Thailand surpassed Korea, Hong Kong, and Malaysia, respectively.



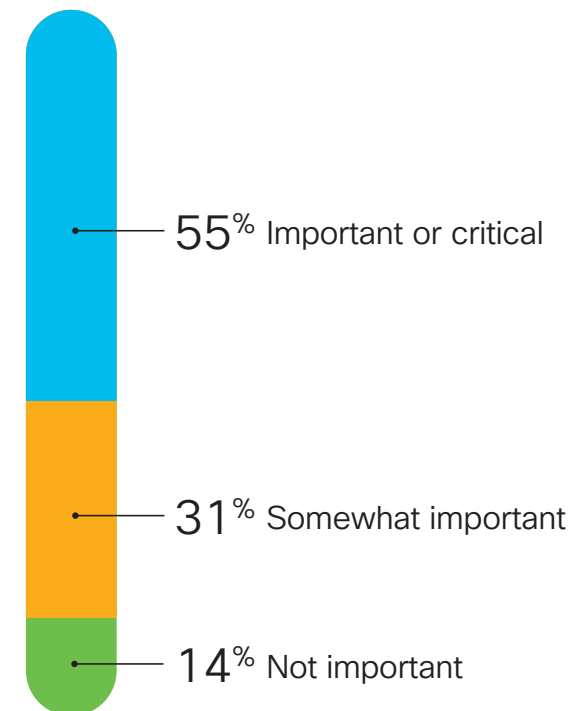
SMBs are relying on technology to digitalize their businesses and become resilient

Nine out of 10 SMBs in Asia Pacific are more reliant on technology to sustain their business during COVID-19. Also, over 80% believe that digitalizing their businesses will help them become more resilient and adaptable to market change or future crises.

Has COVID-19 made your company more reliant on technology?



How important is business digitalization (having digital products, offerings, digital payments, ecommerce, etc.) in building resilience and being able to quickly adapt to disruptive events like COVID-19?

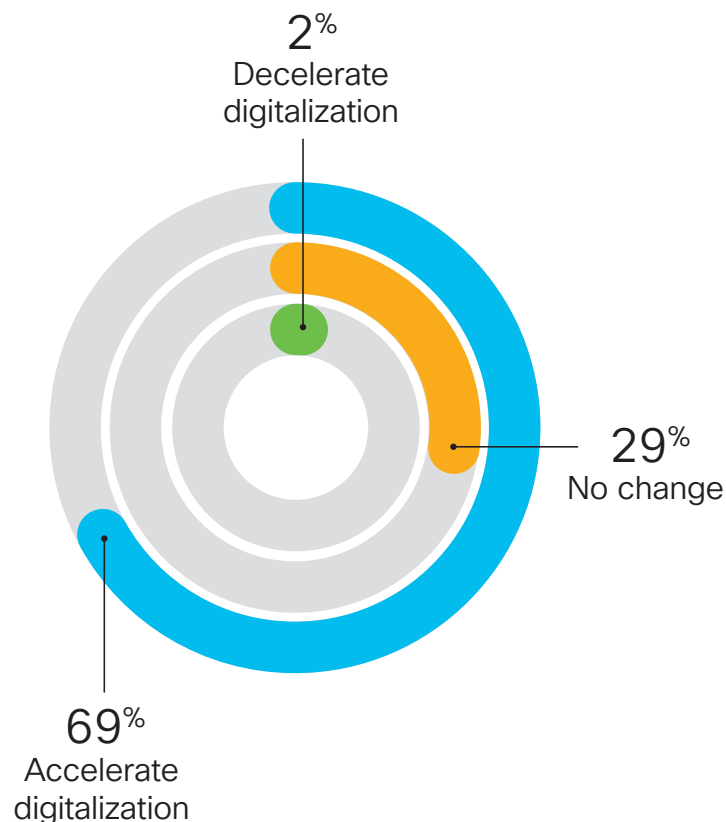


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

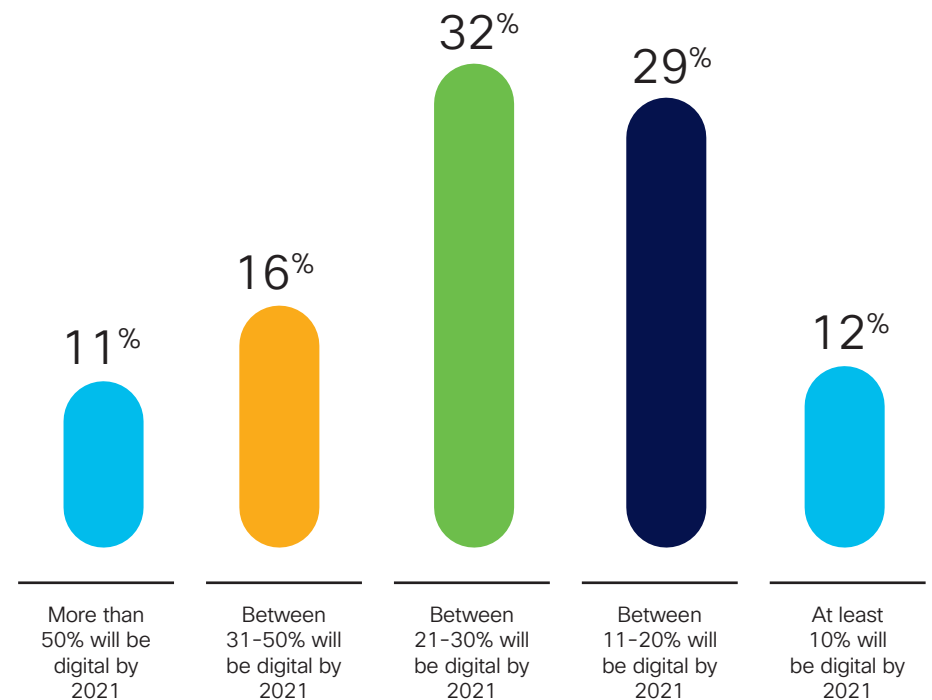
SMBs are accelerating their digitalization due to COVID-19, with half expecting over 1/5 of their businesses to be digitalized by 2021

Almost 70% of SMBs are accelerating their digitalization in response to COVID-19, with more than half of the SMBs expecting that over 1/5 of their business will be digitalized by 2021.

Is COVID-19 going to accelerate the digitalization of your business?



How much is COVID-19 going to accelerate the digitalization of your business?

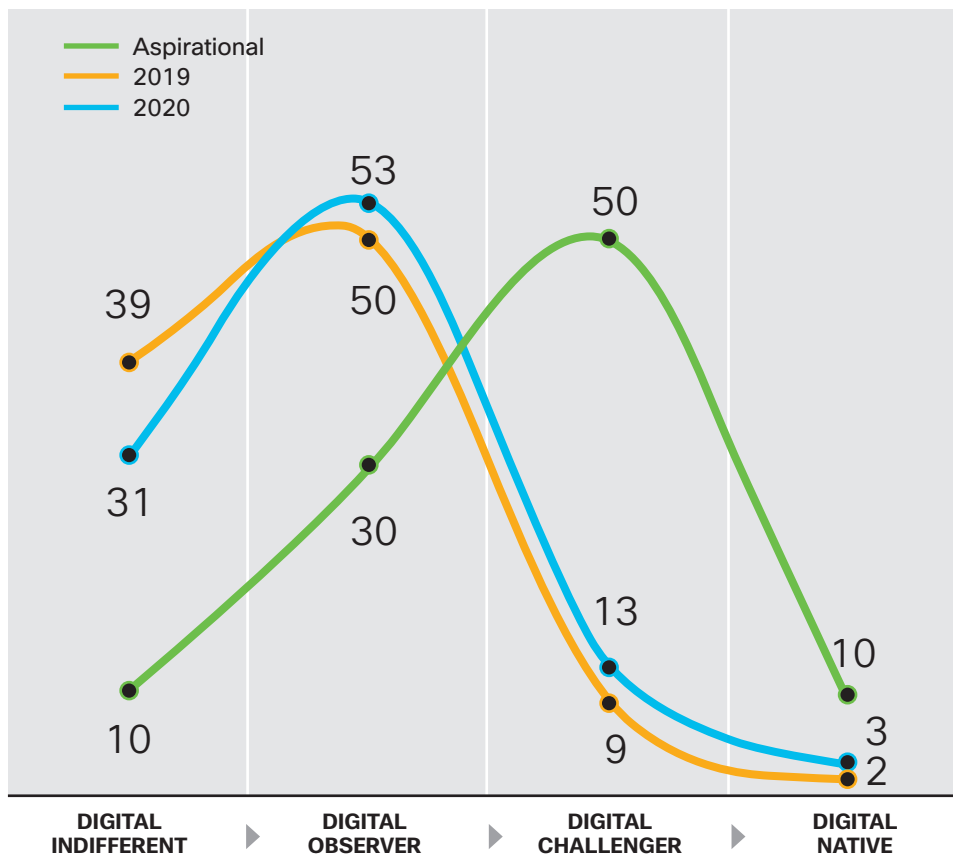


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

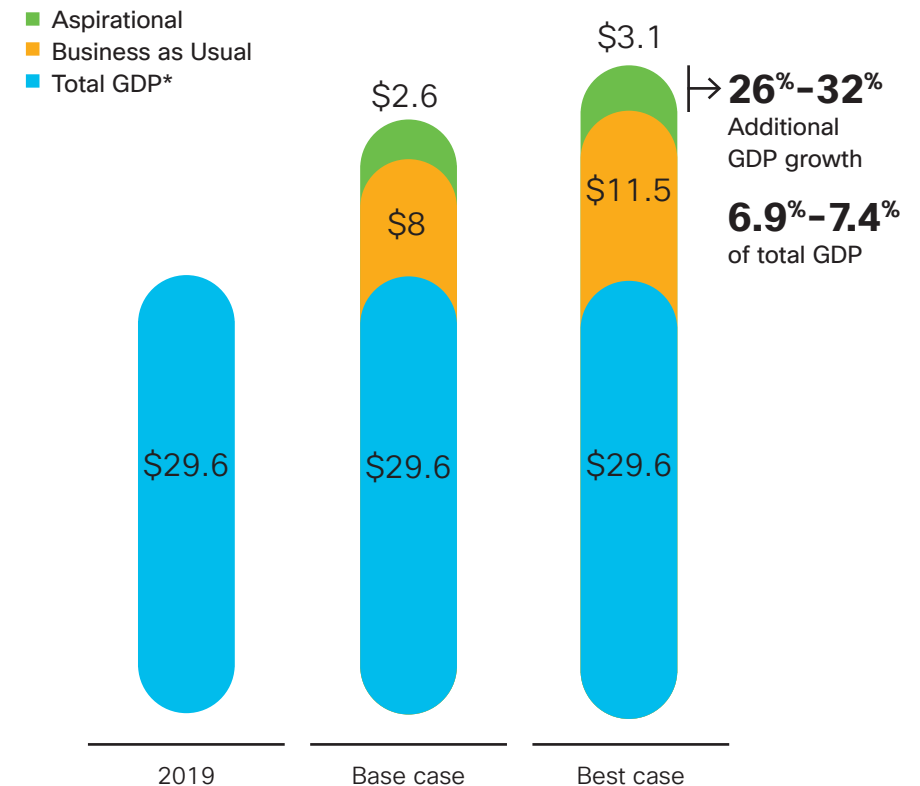
Accelerating SMBs' Digitalization Could Add Up to \$3.1 Trillion to the Asia Pacific GDP by 2024

While SMBs in the Asia Pacific region are progressing in their digital maturity, the majority are still stuck in stage 1 (Digital Indifferent) and stage 2 (Digital Observer). Accelerating SMBs digitalization by effectively progressing to stages 3 (Digital Challenger) and 4 (Digital Native) could add \$2.6–\$3.1 trillion to the Asia Pacific GDP by 2024, driving faster economic recovery.

Percentage of SMBs in the Four Stages of Digital Maturity



Cumulative GDP from Shifting SMBs to Aspirational Curve (US\$T)



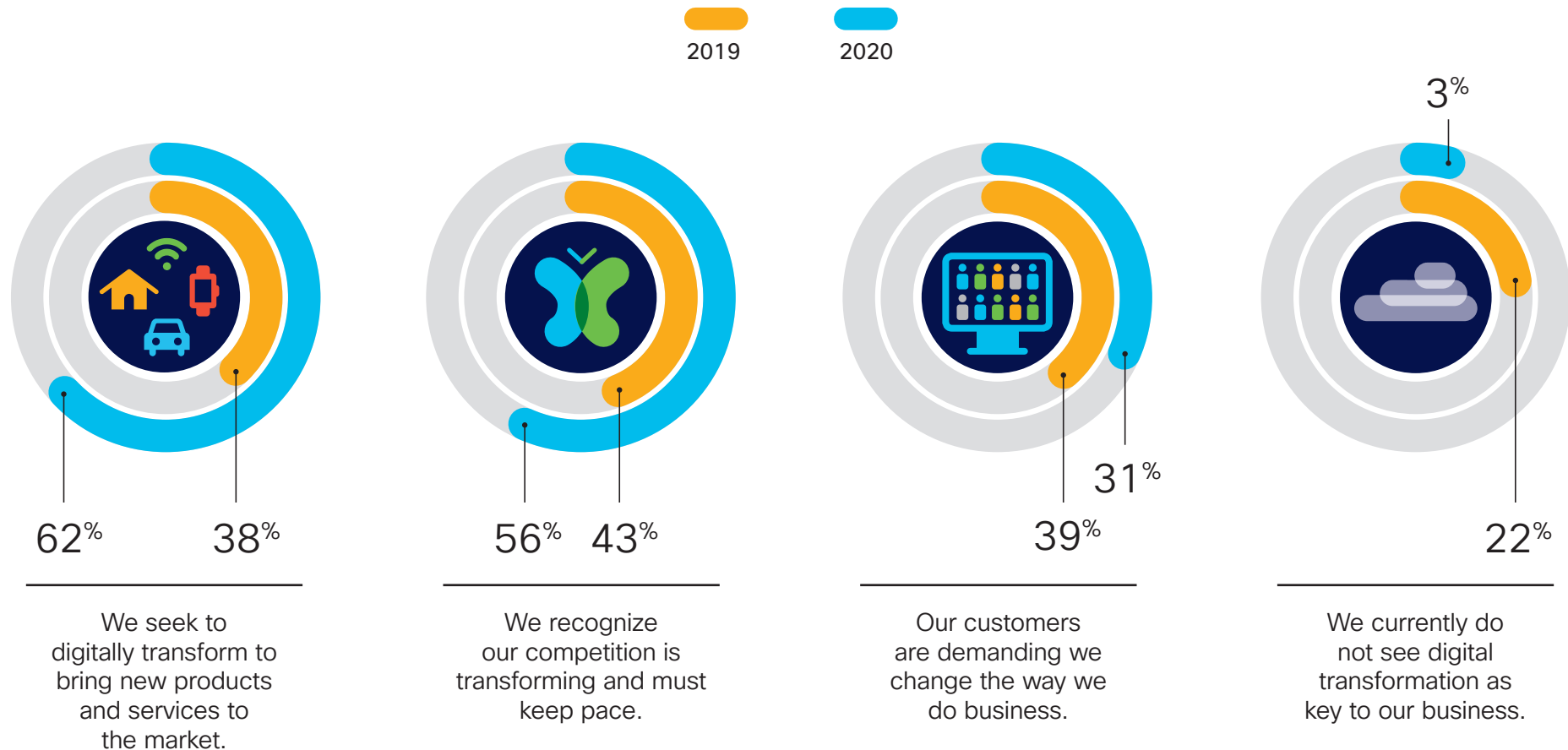
Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

*Source: National statistics

Delivering New Products and Services Is the Top Driver for Digital Transformation

More SMBs (62%) compared to 2019 (38%) seek digital transformation to launch new products and services. Staying ahead of the competition remains the second most important factor driving the digital imperative for SMBs

What are Your Business Drivers/Triggers to Transform Digitally?

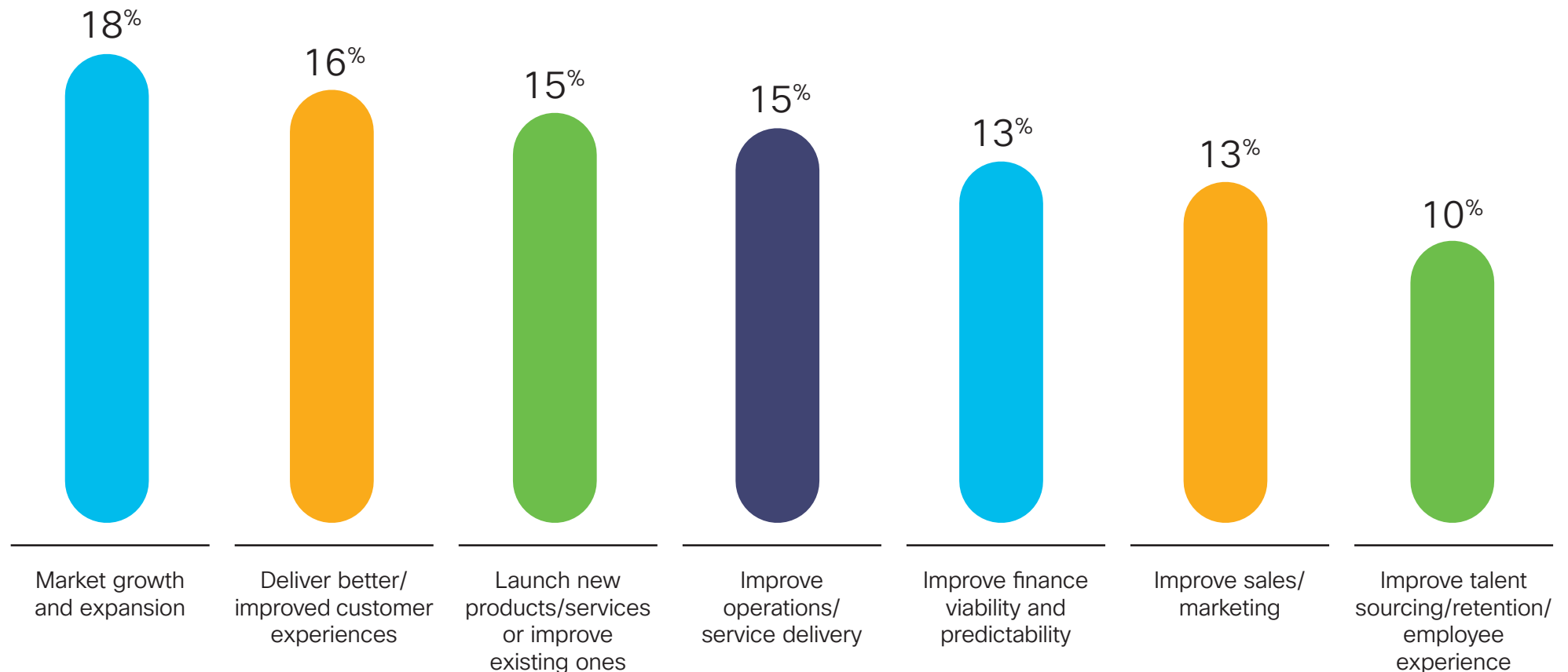


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Driving growth and improving customer experiences are top priorities driving digitalization

With COVID-19 and as economies open up, SMBs are focusing on delivering improved customer experience (CX) and launching new products and services to help in recovery. They want to leverage technology to address the need for personalization and deliver new experiences, as part of the new normal.

Top Digitalization Priorities

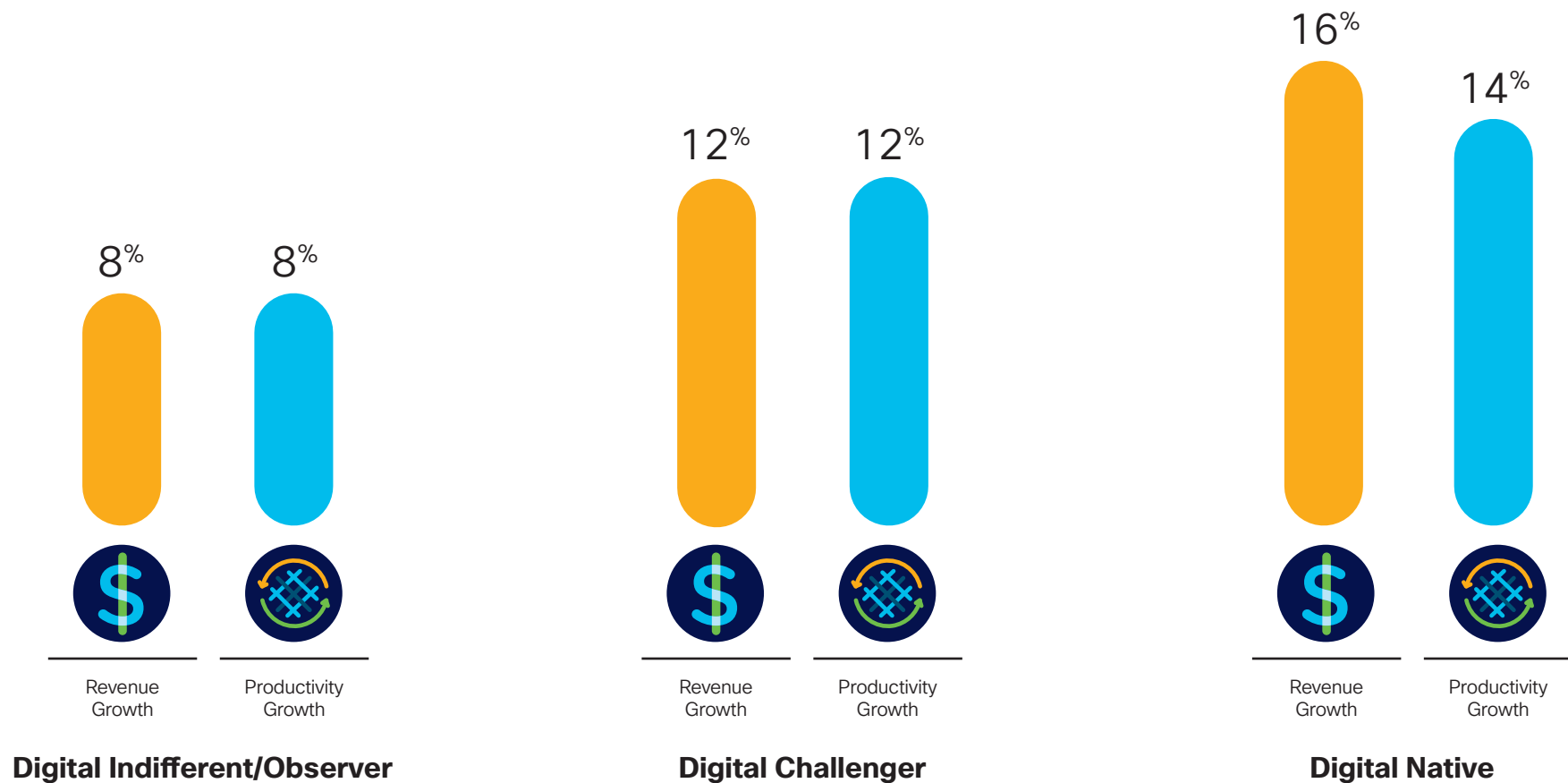


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Digital Leaders Enjoy 2X More Revenue and Productivity Growth

Digital Challengers generate 50% higher sales and productivity growth, while Digital Natives are able to grow their revenue twice as fast as SMBs in the early stages of digital maturity.

Average Revenue and Productivity Growth Due to IT Investments

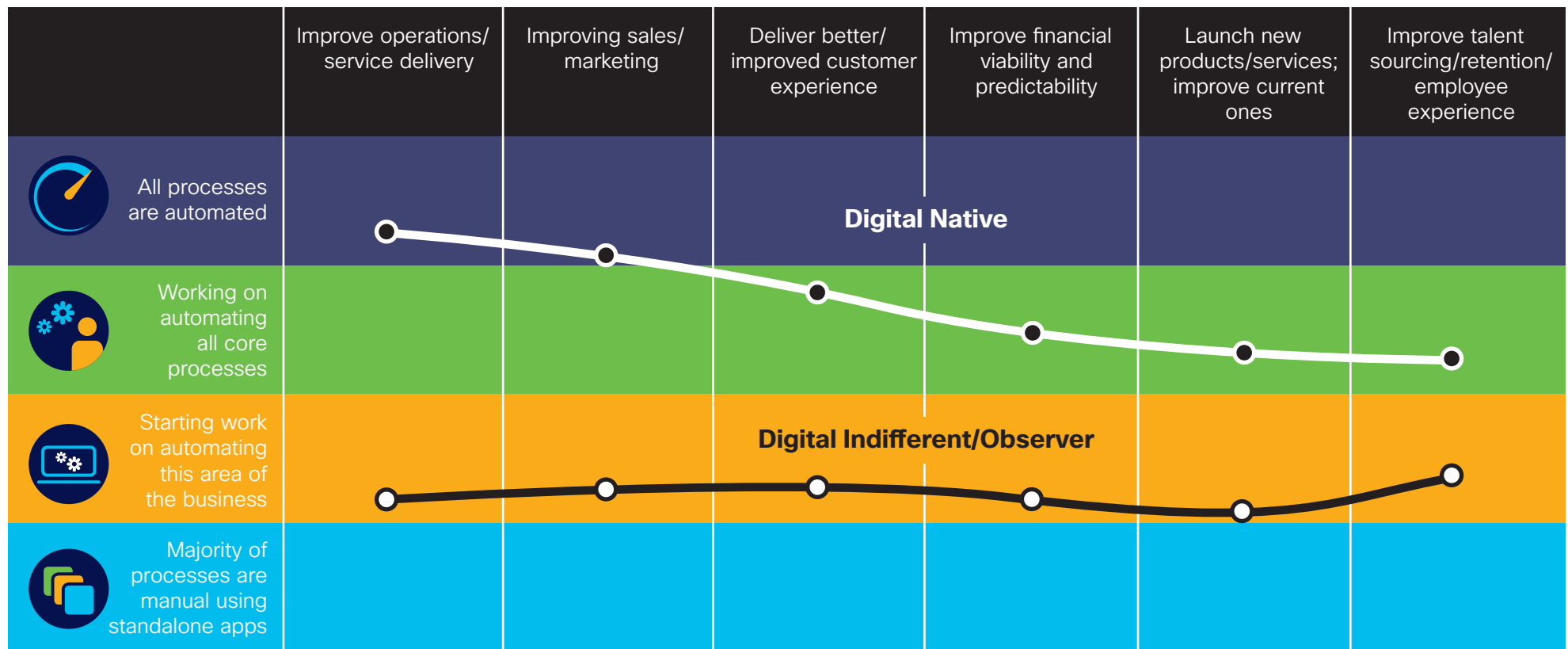


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Automation Unlocks Digital Transformation Benefits

Digitally mature SMBs automate more of their business and operations to realize key digital transformation benefits, starting with front-end and customer engagement areas.

How SMBs Describe Their Company's Progress in Automating Processes

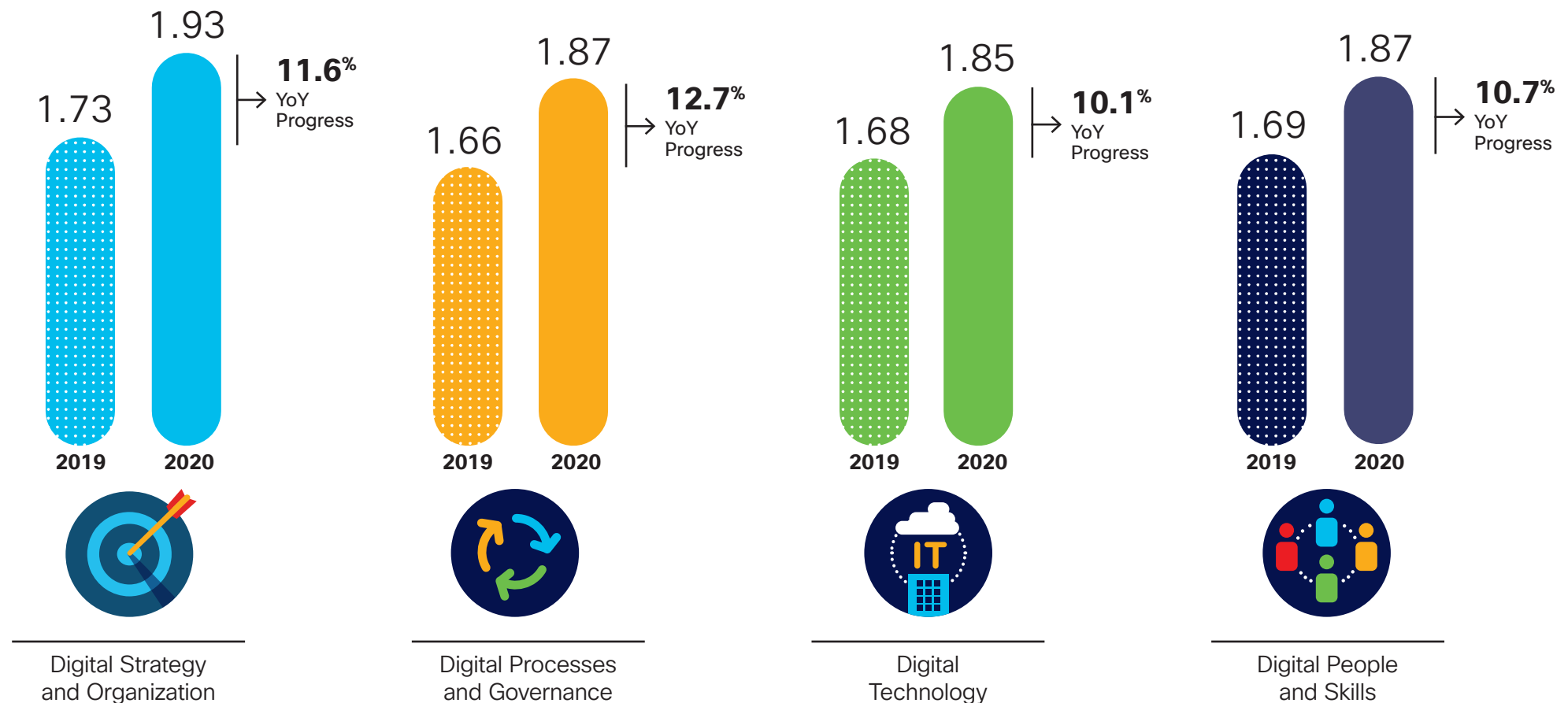


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

SMBs Need the Most Help in Rightsizing Digital Technologies to Drive Growth

SMBs continue to score higher in “digital strategy and organization”, while implementation of “digital technology” is the area with the least progress. Although the ongoing talent and digital skills shortage remains a hurdle, finding the right partnerships can help SMBs address their technology and skills challenges.

Average Scores Achieved by SMBs on a 4-Point Maturity Model

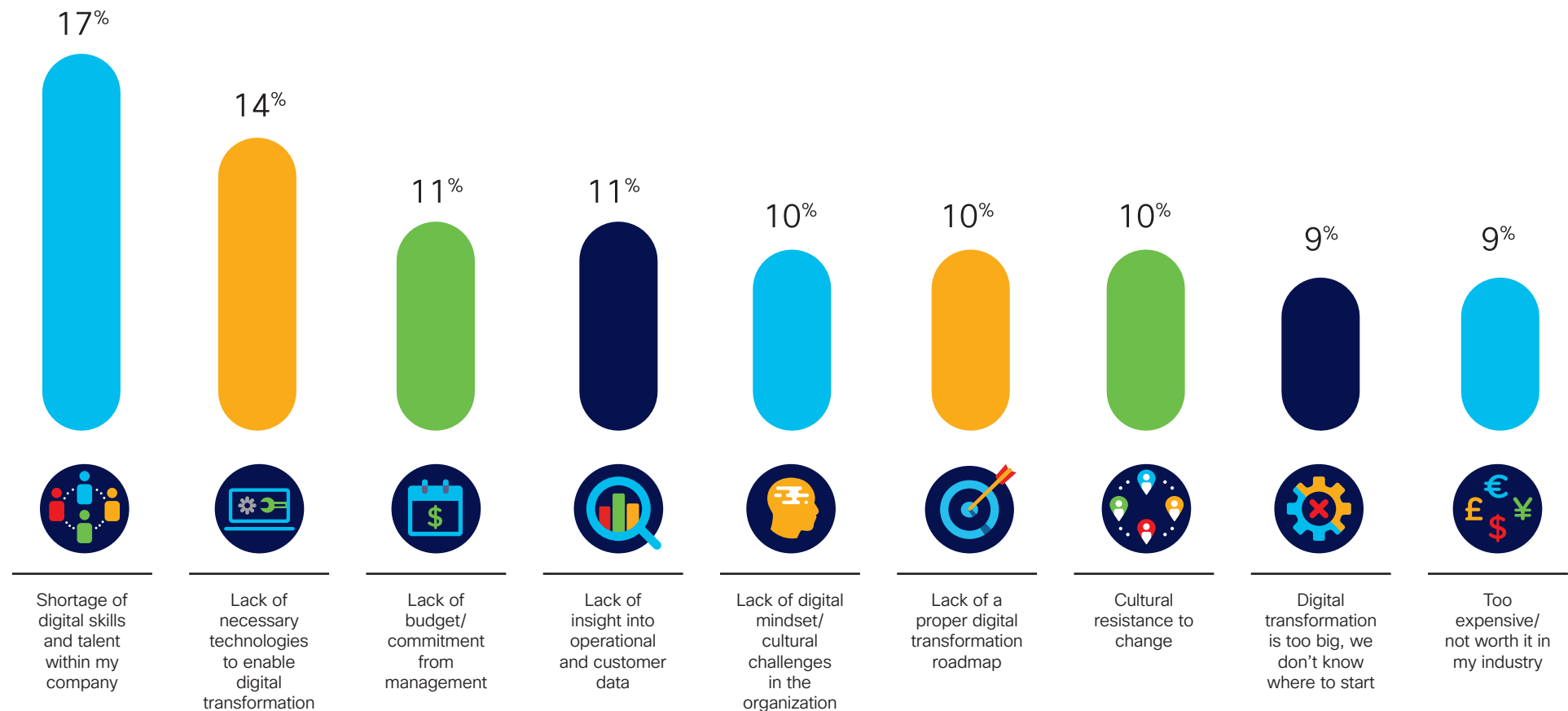


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Shortage of Skills and Technology Are Top Digital Transformation Challenges

The shortage of digital skills and talent is still a major challenge for Asia Pacific SMBs, followed by the lack of necessary technologies to enable digital transformation.

What Is Your Top Challenge in Digital Transformation?
















Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Top Challenges by Digital Maturity

Struggling to fill the talent gap is a challenge for all SMBs, regardless of their size and digital maturity. SMB digital followers (Digital Indifferent and Digital Observers) see the lack of necessary technologies, digital mindset, and budget commitment as major obstacles. Digital leaders are not without similar challenges in terms of access to the right technologies and insight into operational and customer data.

What Are Your Top Challenges in Digital Transformation?























Rank	Digital Indifferent STAGE 1	Digital Observer STAGE 2	Digital Challenger STAGE 3	Digital Native STAGE 4
1		 Shortage of digital skills and talent within my company		
2	 Lack of necessary technologies to enable digital transformation		 Lack of insight into operational and customer data	
3	 Lack of digital mindset/cultural challenges in the organization	 Lack of budget/commitment from management	 Lack of necessary technologies to enable digital transformation	
4	 Lack of insight into operational and customer data	 Lack of digital mindset/cultural challenges in the organization	 Lack of budget/commitment from management	 Lack of a proper digital transformation roadmap
5	 Lack of budget/commitment from management	 Lack of insight into operational and customer data	 Cultural resistance to change	

Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Cloud Is the Top Technology Priority for SMBs

Regardless of size, Asia Pacific SMBs plan to further enable the digitalization of their businesses by investing first and foremost in cloud, followed by security and IT infrastructure upgrading over the next 18 months. The Leaders have a higher priority for enterprise applications investments to further digitalize their business processes, while Followers are focused on securing their IT systems and networks. COVID-19 has increased the technology investment priorities of customer experience and video conferencing solutions, and AI/Analytics.

Top Technology Investments

Rank	Followers STAGE 1 & 2	Leaders STAGE 3 & 4	Overall JAN 2020	Overall MAY 2020
1	 Cloud solutions	 Cloud solutions	 Cloud solutions	 Cloud solutions
2	 Security	 Purchase/Upgrade IT infrastructure software	 Security	 Customer experience solutions
3	 Purchase/Upgrade IT infrastructure software	 Purchase/Upgrade IT Infrastructure Hardware	 Purchase/Upgrade IT infrastructure hardware	 Videoconferencing solutions
4	 Purchase/Upgrade IT infrastructure hardware	 Purchase/Upgrade enterprise applications	 Purchase/Upgrade IT infrastructure software	 AI/Analytics
5	 AI/Analytics	 Security  AI/Analytics	 AI/Analytics	 Purchase/Upgrade IT infrastructure hardware and software  AI/Analytics

Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

SMBs Seek the Right Partners in Their Journey

Top Partner Preferences

53%

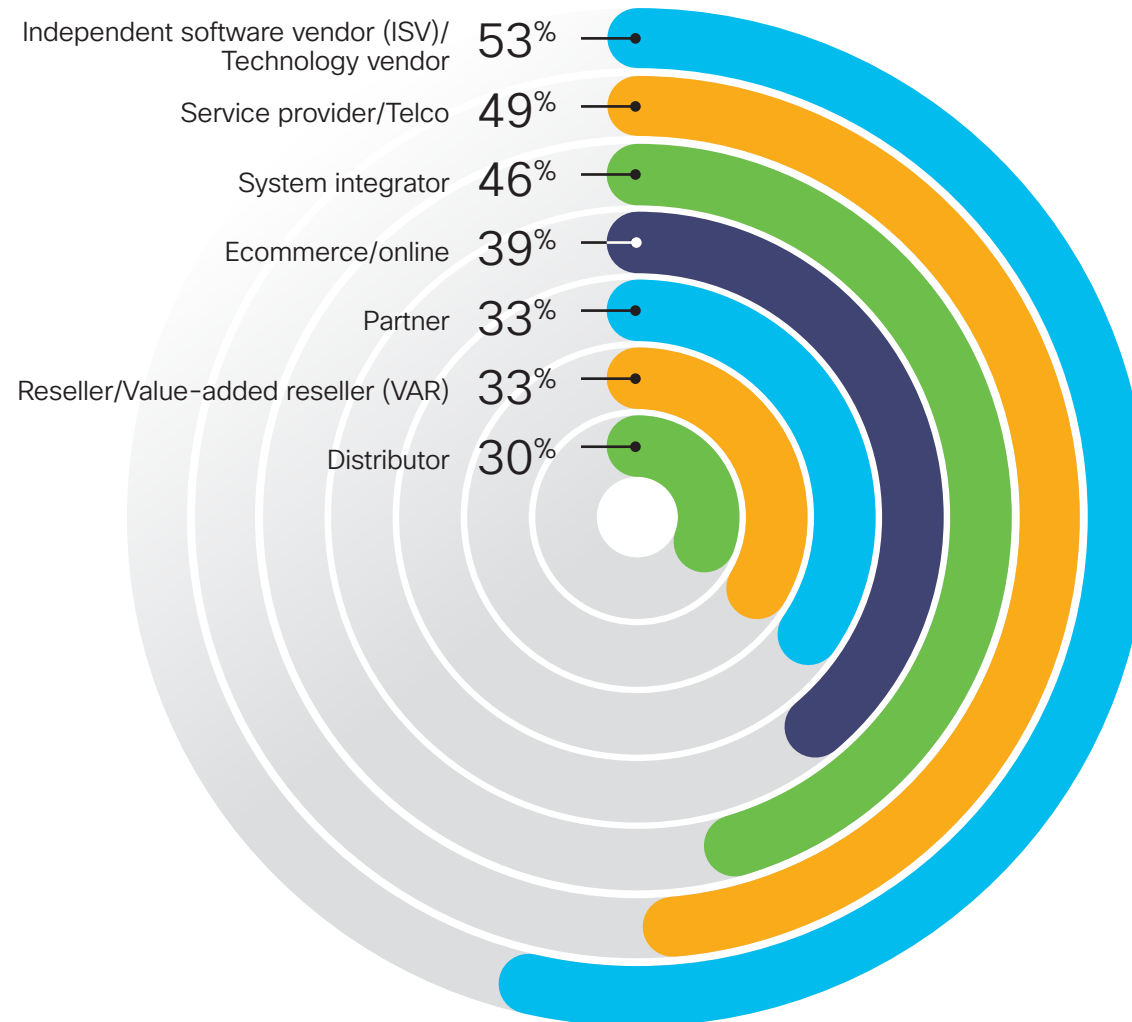
of Asia Pacific SMBs prefer to partner with ISVs when looking at digitalization solutions. Almost half (49%) of SMBs prefer service providers/telcos, and 46% system integrators.

Information Sources for Digitalization Investments

52%

of Asia Pacific SMBs consider recommendations from industry advisors and analysis as the most relevant source of information for their technology investments, followed by attending technology vendor events (50%).

Sources of Information for Technology Investments



Conclusion and Recommendations

The digital transformation journey for SMBs is an important one, and the stakes are high. SMBs contribute to half of global GDP and two-thirds of the global workforce.

However, SMBs' ability to compete is under rising pressure from rapidly changing market conditions and evolving technologies, with 86% of SMBs strongly agreeing that "technology is changing the industry". COVID-19 has accentuated the importance of technology, forcing SMBs to recognize that digitalizing is no longer an option but a necessity, and that accelerating their digitalization is key to becoming resilient and ensuring their future growth.

You don't have to be an expert in technology to transform your business. Here are seven steps to guide you in your journey towards becoming a digitally resilient SMB.

Seven Steps to Become an SMB Digital Challenger



[LEARN MORE](#)

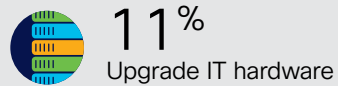


Market Highlights

Australia

Asia Pacific SMB Digital Maturity Ranking: 4th

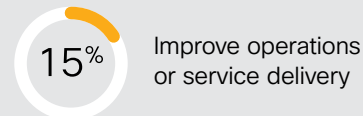
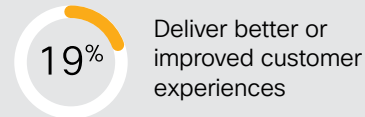
Technology Investments



Digitalization Challenges

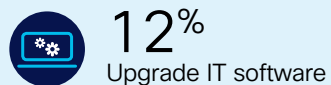


Digitalization Priorities

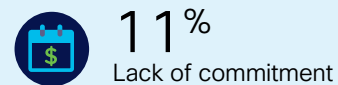
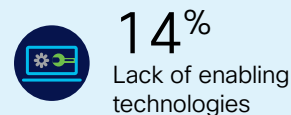
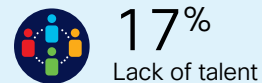


Regional Asia Pacific Trends Average

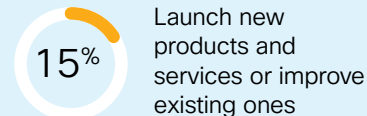
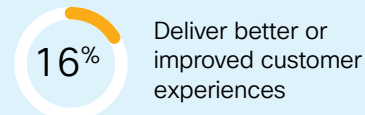
Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

China – Mainland

Asia Pacific SMB Digital Maturity Ranking: 5th

Technology Investments



15%
Cloud



12%
AI/Analytics



11%
Upgrade IT hardware

Digitalization Challenges



19%
Lack of talent

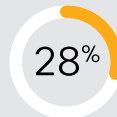


18%
Lack of enabling technologies

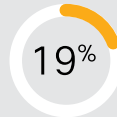


14%
Lack of insights

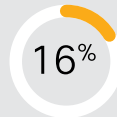
Digitalization Priorities



Launch new products and services or improve existing ones



Deliver better or improved customer experiences



Market growth and expansion

Regional Asia Pacific Trends Average

Technology Investments



15%
Cloud



12%
Security



12%
Upgrade IT software

Digitalization Challenges



17%
Lack of talent



14%
Lack of enabling technologies



11%
Lack of commitment

Digitalization Priorities



Market growth and expansion



Deliver better or improved customer experiences



Launch new products and services or improve existing ones



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Hong Kong

Asia Pacific SMB Digital Maturity Ranking: 8th

Technology Investments



21%
Security



10%
Cloud



10%
Upgrade IT hardware

Digitalization Challenges



16%
Don't know where to start

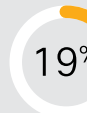


14%
Too expensive/
Not worth it

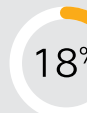


13%
Lack of talent

Digitalization Priorities



Improve operations
or service delivery



Market growth
and expansion



Launch new
products and
services or improve
existing ones

Regional Asia Pacific Trends Average

Technology Investments



15%
Cloud



12%
Security



12%
Upgrade IT software

Digitalization Challenges



17%
Lack of talent



14%
Lack of enabling
technologies

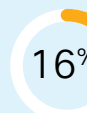


11%
Lack of commitment

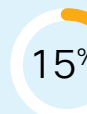
Digitalization Priorities



Market growth
and expansion



Deliver better or
improved customer
experiences



Launch new
products and
services or improve
existing ones

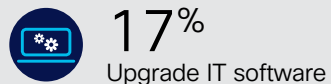


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

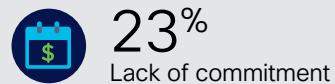
Japan

Asia Pacific SMB Digital Maturity Ranking: 2nd

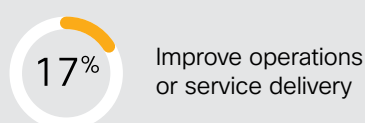
Technology Investments



Digitalization Challenges

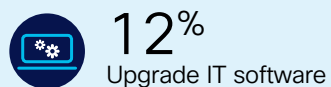


Digitalization Priorities

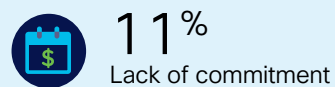
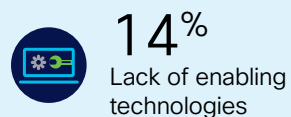
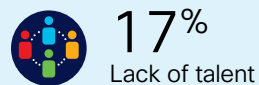


Regional Asia Pacific Trends Average

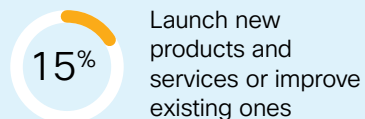
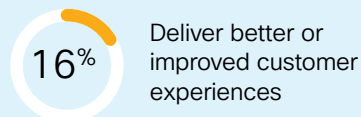
Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

India

Asia Pacific SMB Digital Maturity Ranking: 9th

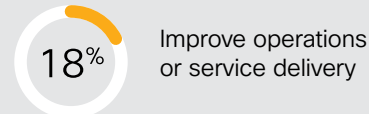
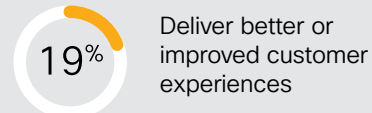
Technology Investments



Digitalization Challenges

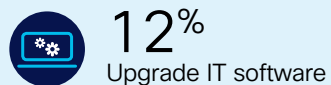


Digitalization Priorities

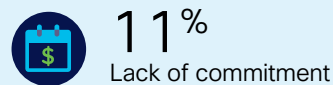
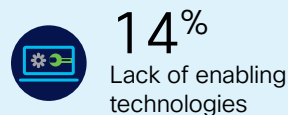
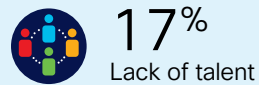


Regional Asia Pacific Trends Average

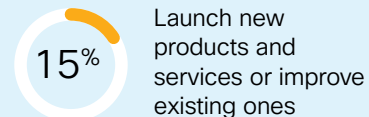
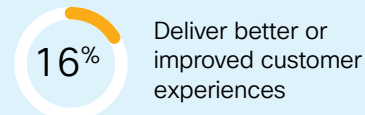
Technology Investments



Digitalization Challenges



Digitalization Priorities

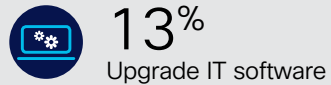


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

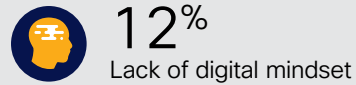
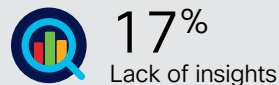
Indonesia

Asia Pacific SMB Digital Maturity Ranking: 13th

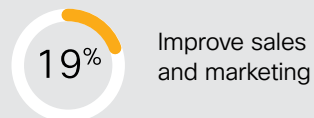
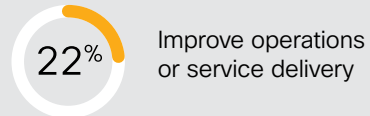
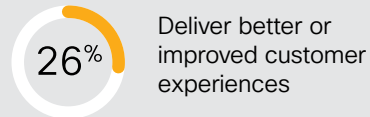
Technology Investments



Digitalization Challenges

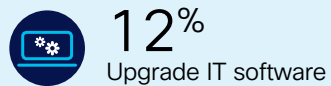


Digitalization Priorities

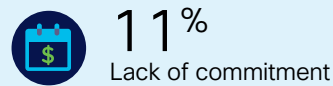
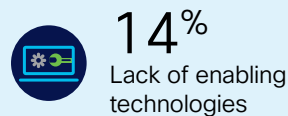
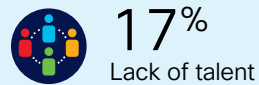


Regional Asia Pacific Trends Average

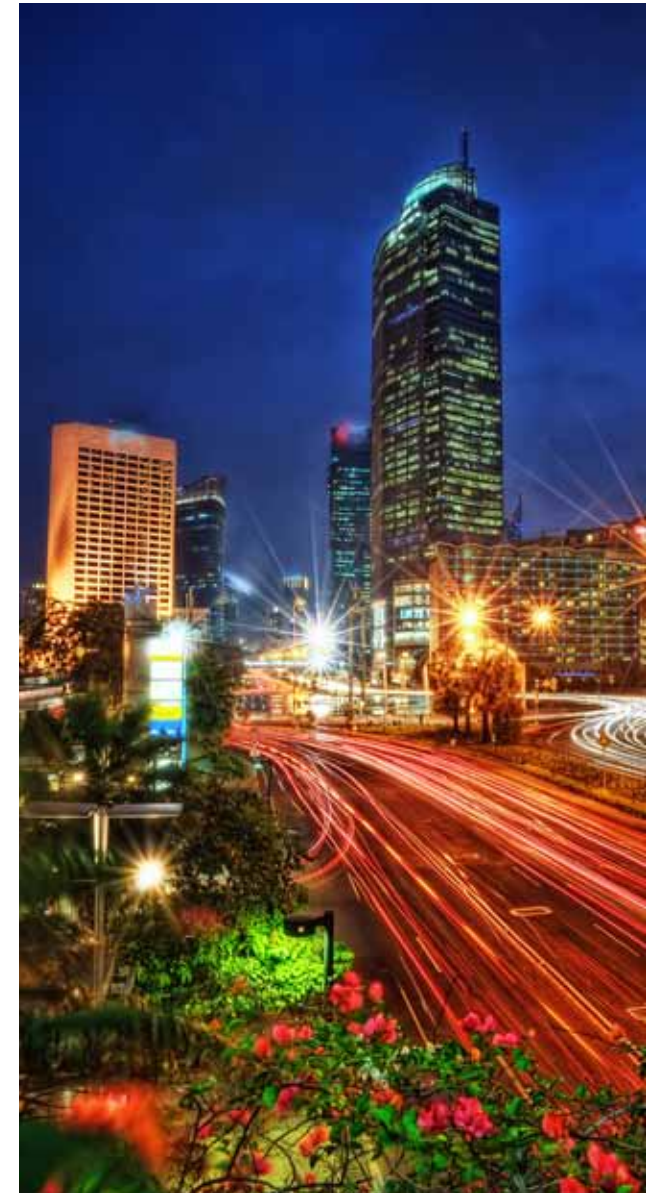
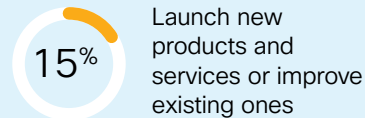
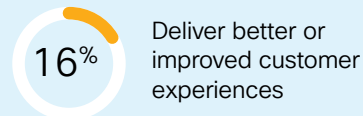
Technology Investments



Digitalization Challenges

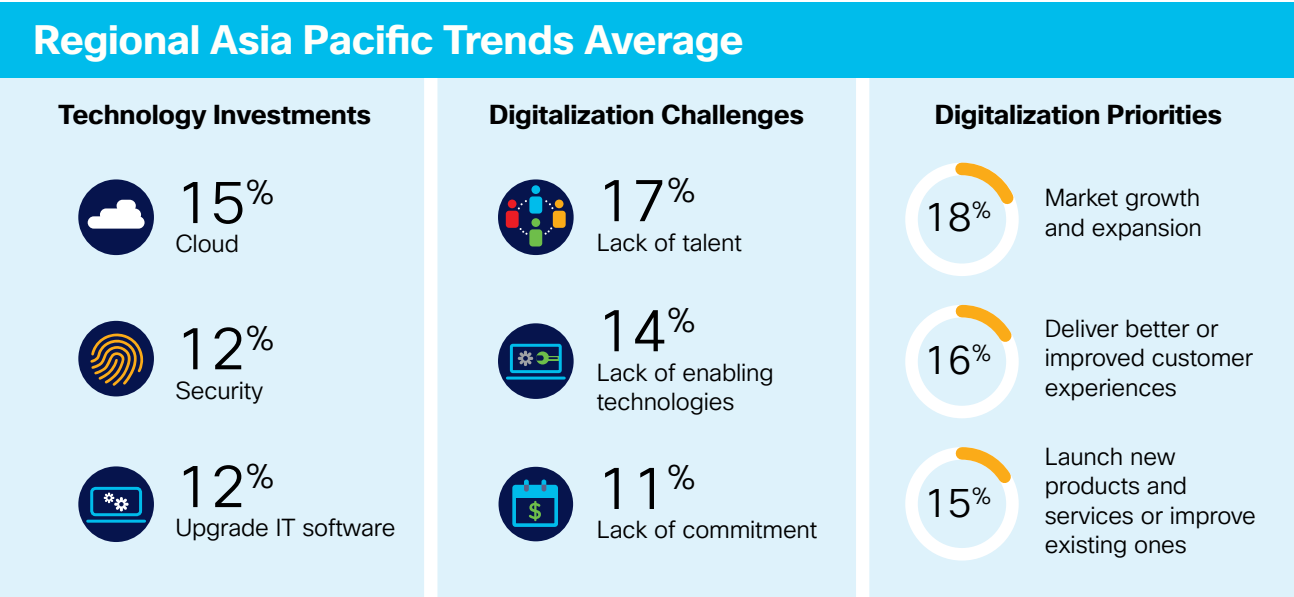
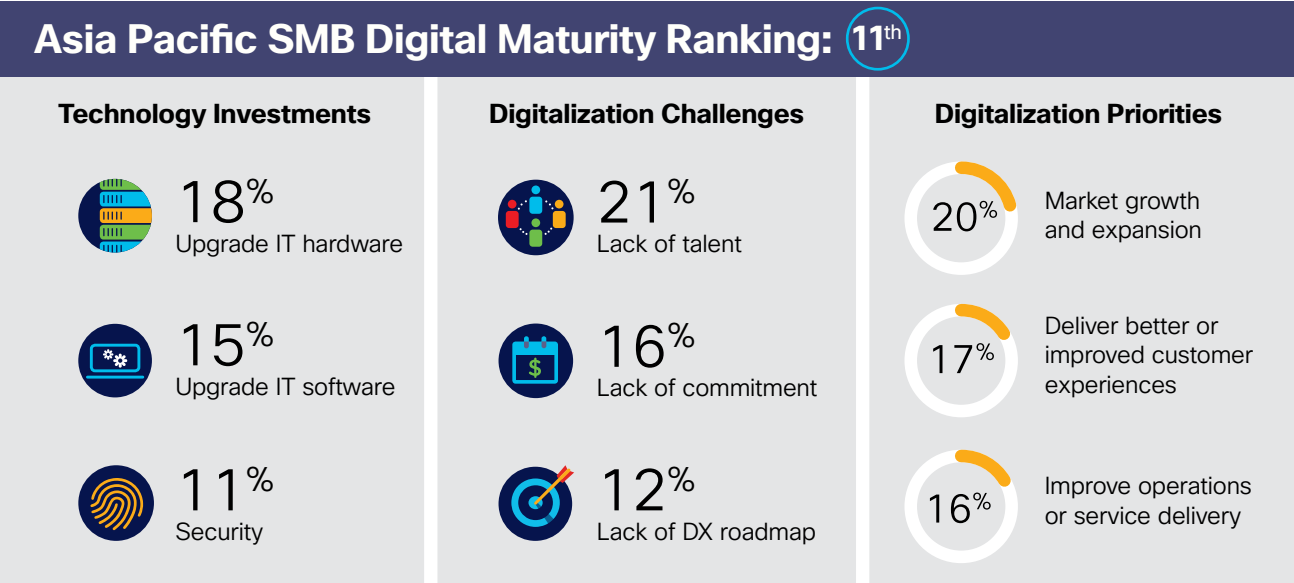


Digitalization Priorities



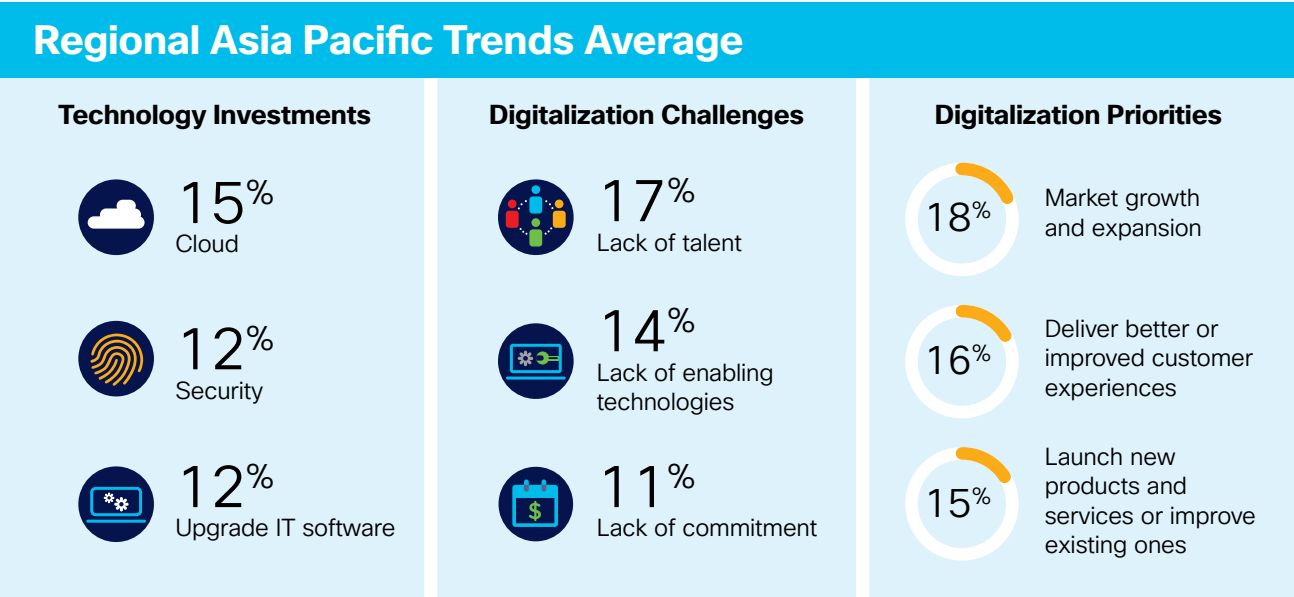
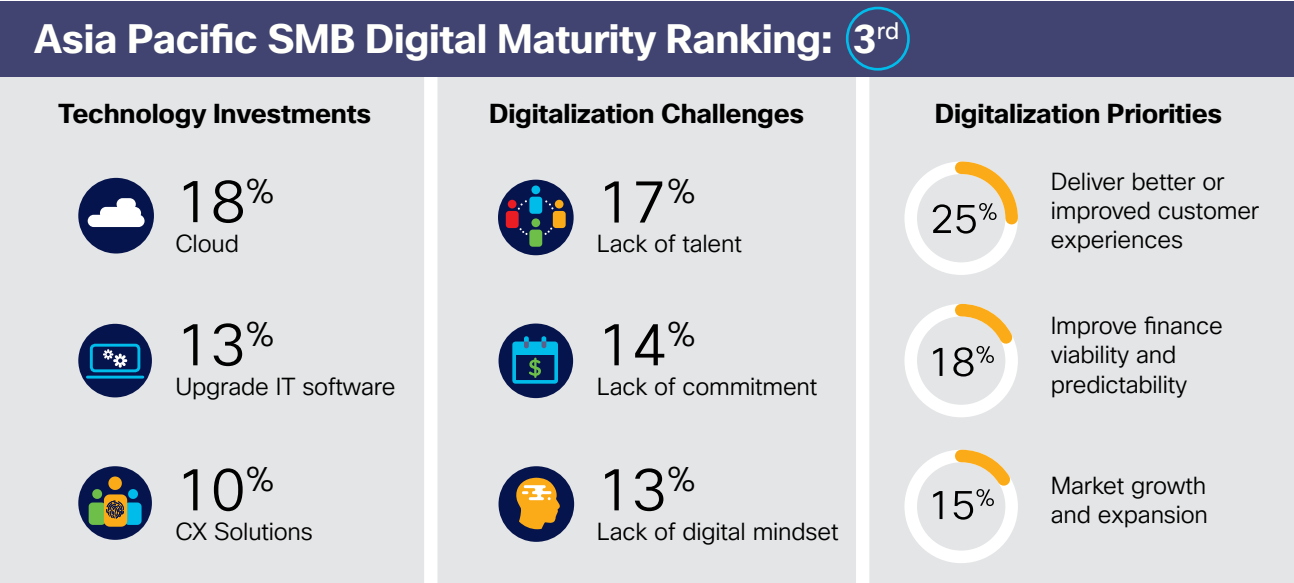
Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Malaysia



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

New Zealand



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Philippines

Asia Pacific SMB Digital Maturity Ranking: 12th

Technology Investments



Digitalization Challenges

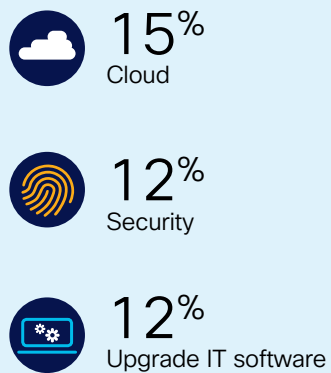


Digitalization Priorities

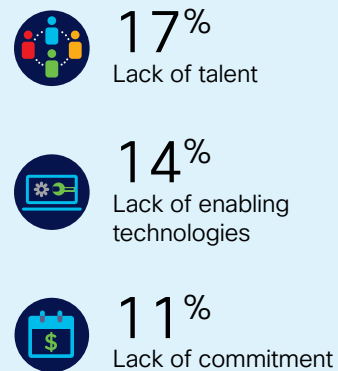


Regional Asia Pacific Trends Average

Technology Investments



Digitalization Challenges



Digitalization Priorities

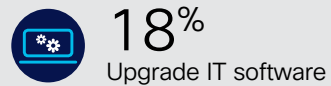


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

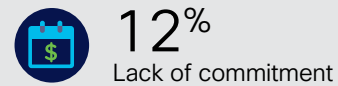
Singapore

Asia Pacific SMB Digital Maturity Ranking: 1st

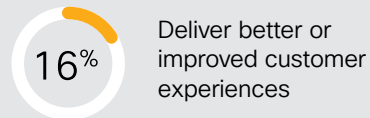
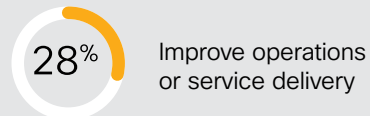
Technology Investments



Digitalization Challenges

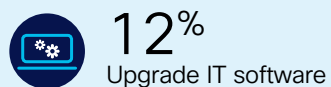


Digitalization Priorities

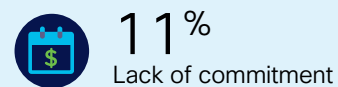
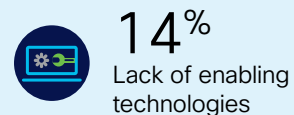
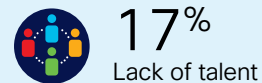


Regional Asia Pacific Trends Average

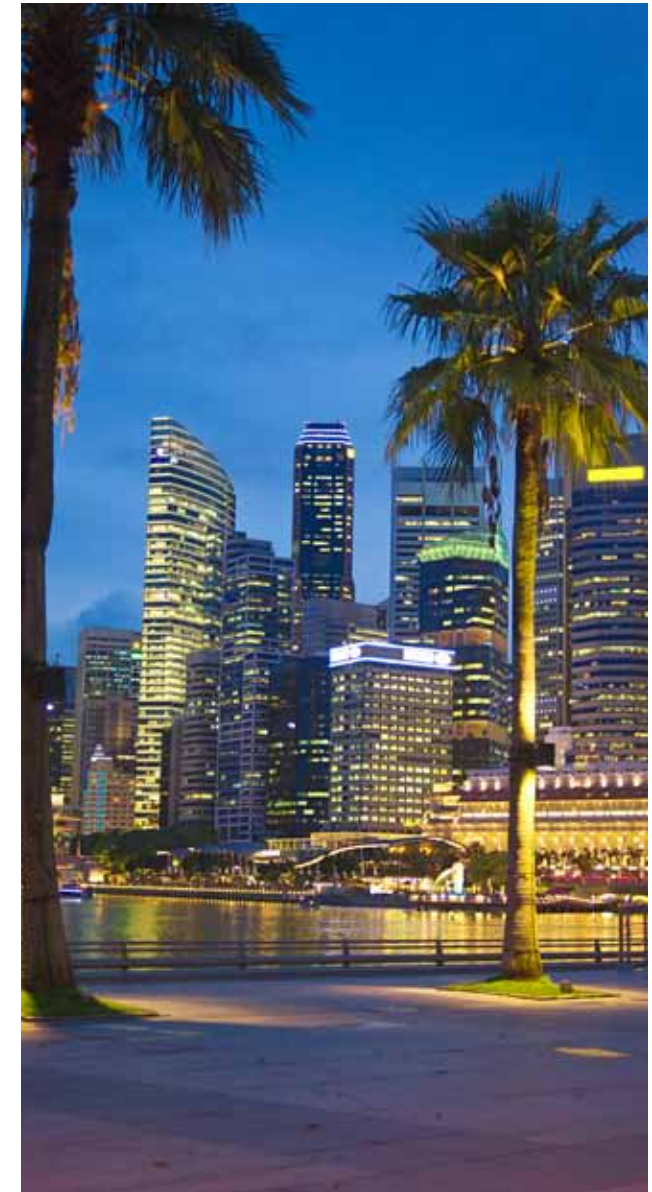
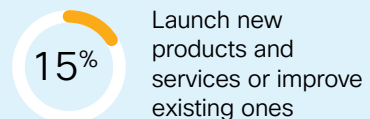
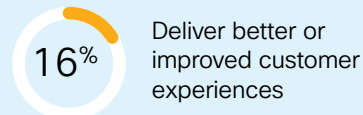
Technology Investments



Digitalization Challenges

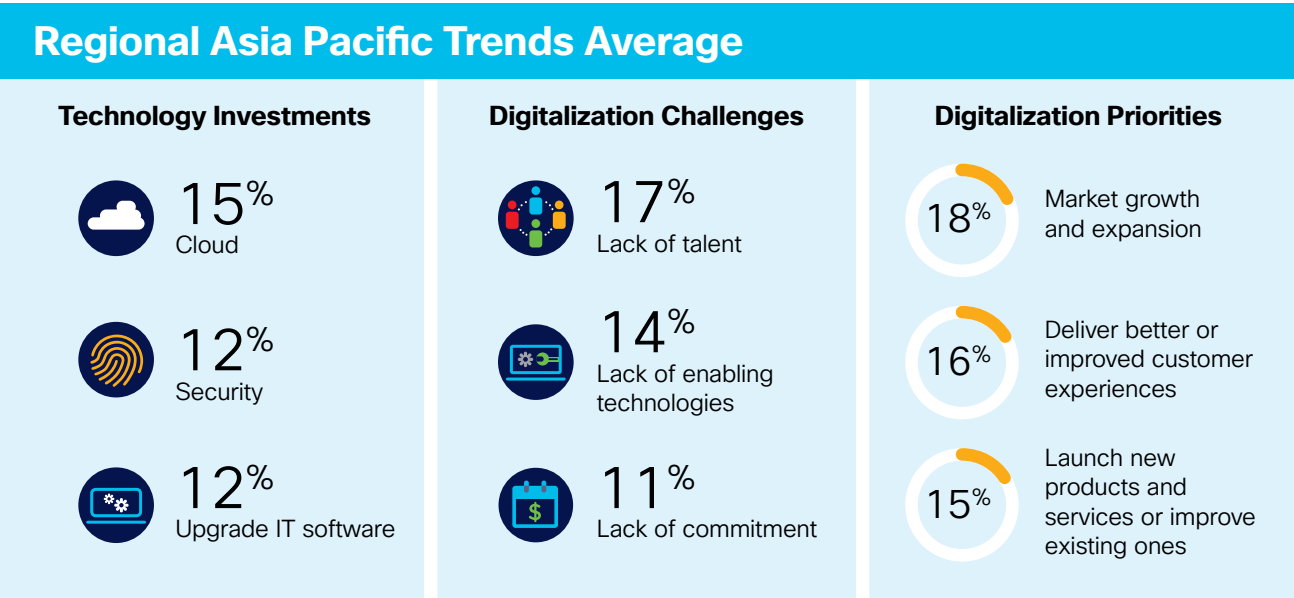
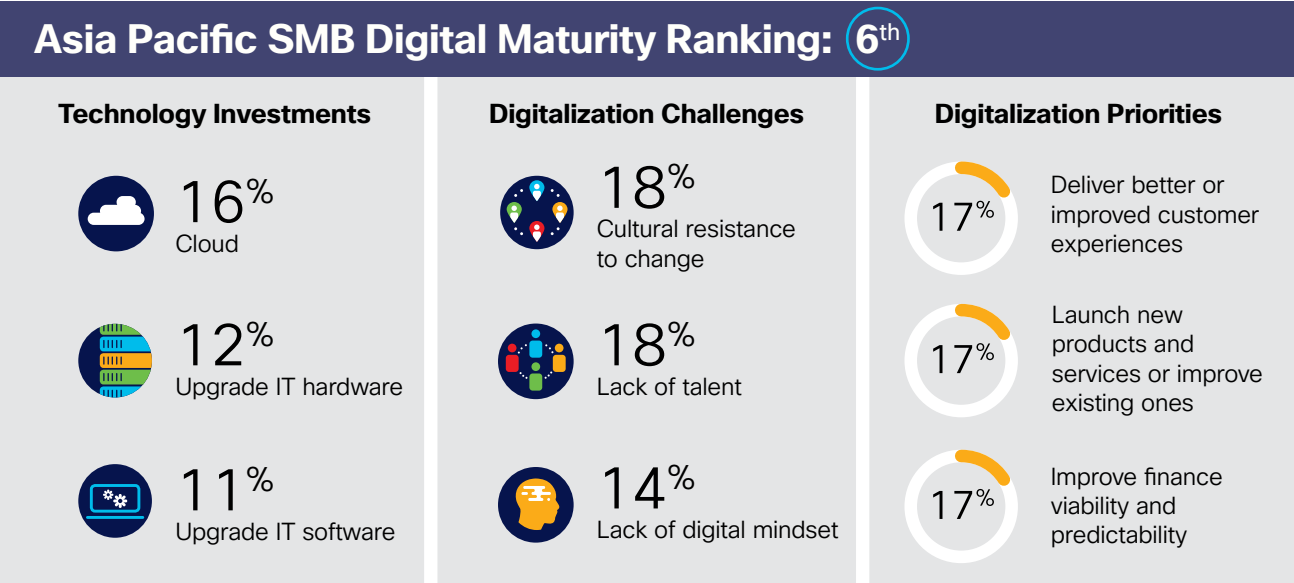


Digitalization Priorities



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

South Korea



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

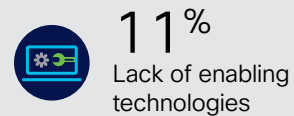
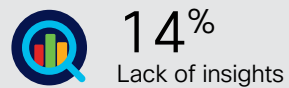
Taiwan

Asia Pacific SMB Digital Maturity Ranking: 7th

Technology Investments



Digitalization Challenges

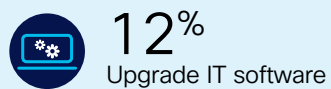


Digitalization Priorities

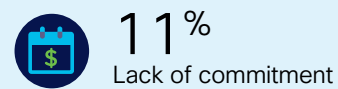
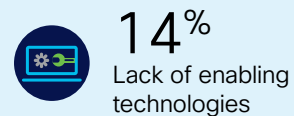
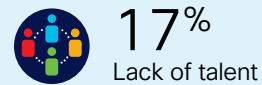


Regional Asia Pacific Trends Average

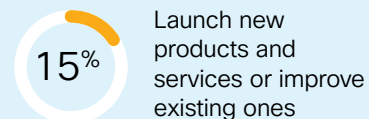
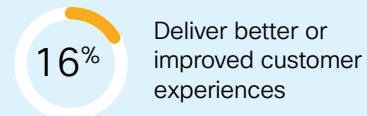
Technology Investments



Digitalization Challenges



Digitalization Priorities

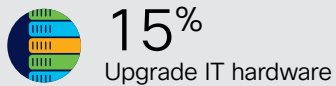
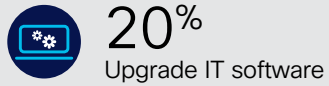


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

Thailand

Asia Pacific SMB Digital Maturity Ranking: 10th

Technology Investments



Digitalization Challenges

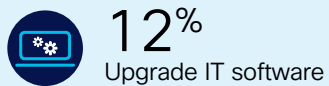


Digitalization Priorities

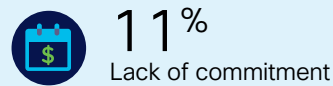
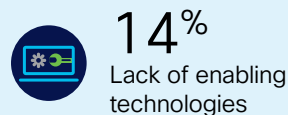
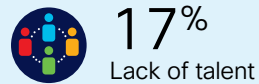


Regional Asia Pacific Trends Average

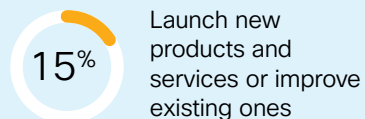
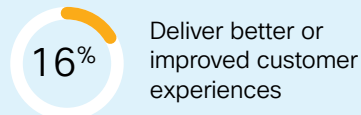
Technology Investments



Digitalization Challenges



Digitalization Priorities

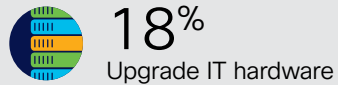


Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study

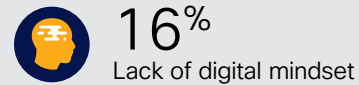
Vietnam

Asia Pacific SMB Digital Maturity Ranking: 14th

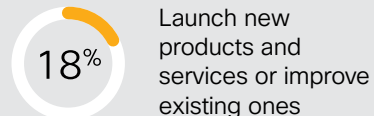
Technology Investments



Digitalization Challenges

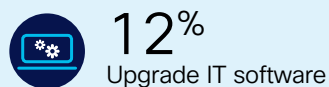


Digitalization Priorities

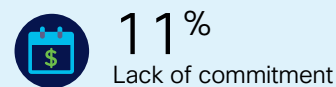
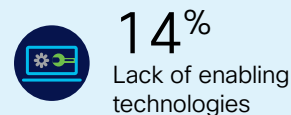
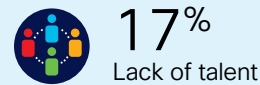


Regional Asia Pacific Trends Average

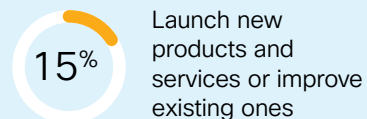
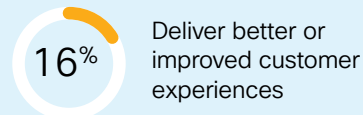
Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: IDC-Cisco 2020 Asia Pacific SMB Digital Maturity Study



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